

HONG KONG¹

MINIMUM WAGE

Wage levels in Hong Kong are customarily fixed by individual agreement between employer and employee. There is no statutory minimum wage except for foreign domestic workers. The minimum wage rate for foreign domestic workers was 3,750 Hong Kong dollars (HK\$) per month in 1995 and 1996. As of December 1996, this rate was increased to its current level of HK\$3,860, about 500 U.S. dollars (US\$), per month.²

PREVAILING OR AVERAGE WAGE

Due to rising costs, Hong Kong apparel and footwear manufacturers have shifted most of their production capacity to mainland China. As a result, the number of Hong Kong workers employed by the apparel sector has fallen from 120,000 in 1993 to 45,000 in 1998. During the same period, the number of workers in the footwear industry has declined from 1,350 to fewer than 200. The Census and Statistics Department stopped compiling wage data on the footwear industry in 1994 because the number of workers employed by the industry had fallen to such a low level.

The table below presents available data from the International Labor Organization (ILO) on average daily earnings (direct wages per worker) in Hong Kong for production workers in the manufacturing sector and in the apparel and footwear industries. They include pay for time worked, paid leave, bonuses, and other benefits paid directly to the employee, but not the cost of social insurance programs.³ Average hours worked per week by production workers in manufacturing were 44.4 for the years 1990 through 1997;⁴ however, no data were available from the ILO for average hours worked per week by production workers in the apparel or footwear industries. Current average earnings, which are reported by the ILO in the national currency, were converted to US\$ using the annual average exchange rate published in the International Monetary Fund's *International Financial Statistics* (March 1999). To track changes in real earnings (i.e., earnings adjusted for inflation), a real earnings index was computed by deflating current

¹ Unless noted otherwise, information presented here is from American Consul—Hong Kong, unclassified telegram No. 1193 (February 26, 1999).

² U.S. Department of State, *Country Reports on Human Rights Practices for 1997* (Washington: U.S. Government Printing Office, March 1998), p. 753.

³ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 805.

⁴ International Labour Organization, *Yearbook of Labour Statistics, 1998* (Geneva: International Labour Office, 1998), p. 745.

earnings in the national currency with the annual average national consumer price index as published in the International Monetary Fund's *International Financial Statistics* (March 1999), indexed to 1990 = 100.

Average Daily Earnings in All Manufacturing, Apparel, and Footwear

Year	All Manufacturing		Apparel		Footwear		Real Earnings Index (HK\$: 1990=100)		
	(HK\$)	(US\$)	(HK\$)	(US\$)	(HK\$)	(US\$)	Manuf.	Apparel	Footwear
1990	179.5	23.04	171.6	22.03	182.5	23.43	100	100	100
1991	200.7	25.83	188.0	24.19	193.5	24.90	100	98	95
1992	218.6	28.24	201.3	26.01		191.9	24.79	100	96
1993	241.7	31.25	212.6	27.48	na	na	102	94	na
1994	266.6	34.50	231.0	29.89	na	na	104	94	na
1995	278.0	35.94	238.5	30.83	na	na	100	89	na
1996	296.9	38.39	247.2	31.96	na	na	100	87	na
1997	322.6	41.67	261.1	33.72	na	na	103	87	na
1998	336.0	43.38	250.5	32.34	na	na	104	81	na

Note: na = not available.

Source: ILO, *Yearbook of Labour Statistics*, 1998, p. 903. For 1998, Census and Statistics Department, Hong Kong Special Administrative Region, *Half-Yearly Report of Wage Statistics* (March 1998 and September 1998), Table 6.

NON-WAGE BENEFITS

Hong Kong provides no special government-mandated non-wage benefits or tax credits for workers in the apparel and footwear industry. Like other workers, however, they are covered by employer-sponsored workmen's compensation and receive an end-of-year payment equal to one month's salary, as well as 7-14 days of annual leave (depending on length of service), sick leave, and 10 weeks of maternity leave.

A U.S. Social Security Administration survey⁵ elaborates on several non-wage benefits programs in Hong Kong: (1) old age, disability, and death benefits program is a dual universal and social assistance system program that was begun in 1971 and for which the government pays the entire cost; (2) sickness and maternity benefits and work injury benefits programs are part of a dual employer liability and social assistance system that was begun in 1968 and for which the employer pays the entire cost of the employer liability program and the government pays the entire cost of the comprehensive social security system; (3) unemployment benefits, begun in 1977, is a social assistance system in which the government pays the entire cost; and (4) family allowances program, begun in 1971, in which the government pays the entire cost.

ASSESSING BASIC NEEDS: THE POVERTY LINE

The Hong Kong Government has not established an official poverty line. In discussions with legislators, government officials have noted that some international studies have recommended setting the poverty line

⁵ Social Security Administration, *Social Security Programs Throughout the World - 1997* (Washington: U.S. Government Printing Office, August 1997), pp. 162-163.

at one-half the median household income. In Hong Kong, the median household monthly income in 1998 was HK\$18,000 (approximately US\$2,300); one-half of that would be HK\$9,000 (approximately US\$1,150). Government officials have also reported that, in 1998, 329,800 households (16.4 percent of all households) had monthly incomes below HK\$8,000 (roughly US\$1,030) and 231,400 households (11.5 percent of all households) had monthly incomes below HK\$6,000 (about US\$770). The number of persons earning less than HK\$6,000 a month in 1998 totaled 410,000, of which 310,000 were women.

In 1998, a meeting of the Panel on Welfare Services reviewed methods and studies to assess poverty in Hong Kong and noted several results:⁶

- ! A December 1996 study by the Hong Kong Council of Social Service (HKCSS) and Oxfam Hong Kong found 640,000 persons in Hong Kong (11 percent of the population) lived in abject poverty.
- ! A September 1997 study by the Hong Kong Social Security Society (HKSSS) found 850,000 persons in Hong Kong (13 percent of the population) lived in abject poverty; the study used a poverty line of HK\$2,500 per person per month and was based on 1996 official census data.
- ! A October 1997 proposal by some Hong Kong academics to use the number of recipients of Comprehensive Social Security Assistance (CSSA) as a proxy for the number of poor in Hong Kong. The cost of basic needs method is used by the government as a reference point in determining CSSA assistance payments. According to a Social Welfare (Social Security) official, the average payment to an individual under the CSSA program was HK\$3,000 per month and compared favorably to the U.S. poverty standard of US\$14.40 per person per day,⁷ or HK\$3,500 per person per month.

MEETING WORKERS' NEEDS

There is little conclusive evidence on the extent to which wages and non-wage benefits in the footwear or apparel industries in Hong Kong meet workers' basic needs. Some information from U.S. Department of State or U.S. Consulate General reports indicates more generally that the average wage in Hong Kong generally provides a decent standard of living for a worker and family, but two-income households are the norm. Foreign domestic workers—the only workers in Hong Kong covered statutorily by minimum wage provisions—have a decent standard of living because the law requires employers to provide foreign domestic workers with housing, worker's compensation insurance, travel allowances, and meals or a meal

⁶ Provision Legislative Council, *Panel on Welfare Services (Minutes)*, PLC Paper No. CB(2) 1476 (Hong Kong, March 24, 1998), Item I, The Measurement of Poverty (Research Report RP 07/PLC, PLC Paper No. CB(2) 1196).

⁷ This probably refers to an international poverty measure for industrial countries, which is used by the United Nations Development Programme (UNDP), that converts the U.S. poverty line into 1985 purchasing power parity adjusted US\$. See United Nations Development Programme, *Human Development Report 1998* (New York: Oxford University Press, 1998), p. 186.

allowance in addition to the minimum wage.⁸ The Consulate General has been unable to find any studies on the living wage in Hong Kong.

⁸ U.S. Department of State, *Country Reports on Human Rights Practices for 1998* (Washington: U.S. Government Printing Office, April 1999), p. 886.